



20 May 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets remained volatile as optimism over a US–Iran deal faded, with President Trump continuing to delay kinetic action while NATO discussed contingency plans to support shipping through the Strait of Hormuz should the waterway remain closed into early July.

Equity markets were mixed, with US stocks declining on higher bond yields, European markets broadly flat, Asian markets weaker, and the ASX 200 outperforming.

Bond markets sold off, with US yields rising sharply amid inflation concerns and policy tightening expectations, with the 30-year yield reaching 5.20%, its highest level since 2007.

The USD strengthened modestly, with the AUD weakening against the USD and other major currencies.

Oil prices eased slightly as geopolitical tensions remained unresolved, while gold declined on higher bond yields and iron ore edged lower on a softer Chinese demand outlook.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.4	-0.2%
AUD/USD	0.7109	-0.9%
AUD/JPY	113.07	-0.7%
AUD/GBP	0.5305	-0.6%
AUD/NZD	1.2185	-0.2%
AUD/EUR	0.6126	-0.4%
AUD/CNH	4.8460	-0.6%
AUD/SGD	0.9107	-0.6%
AUD/HKD	5.5685	-0.8%
AUD/CAD	0.9770	-0.8%
EUR/USD	1.1606	-0.4%
USD/JPY	159.04	0.2%
USD Index	99.32	0.1%

Equities	Close	Change
S&P/ASX 200	8,605	1.2%
S&P 500	7,354	-0.7%
Japan Nikkei	60,551	-0.4%
Hang Seng	25,798	0.5%
Euro Stoxx 50	5,851	0.0%
UK FTSE100	10,331	0.1%
VIX Index	18.06	1.3%

Commodities	Current	Change
CRB Index	406.18	0.1%
Gold	4482.61	-1.8%
Copper	13411	-1.3%
Oil (WTI futures)	107.77	-0.8%
Coal (coking)	238.00	0.0%
Coal (thermal)	143.70	1.2%
Iron Ore	107.80	-0.4%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.01
90 day BBSY	4.50	0.00
180 day BBSY	4.84	-0.02
1 year swap	4.70	0.00
2 year swap	4.72	0.01
3 year swap	4.70	0.01
4 year swap	4.70	0.01
5 year swap	4.73	0.01
6 year swap	4.78	0.01
7 year swap	4.83	0.01
8 year swap	4.87	0.01
9 year swap	4.92	0.02
10 year swap	4.96	0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	4.67	-0.06
10 year bond	5.06	-0.05
United States		
3-month T Bill	3.57	0.00
2 year bond	4.12	0.07
10 year bond	4.67	0.08
Other (10 year yields)		
Germany	3.19	0.04
Japan	2.79	0.06
UK	5.13	0.03

Sydney Futures Exchange	Current	Change
10 yr bond	5.12	0.04
3 yr bond	4.71	0.03
3 mth bill rate	4.53	0.01
SPI 200	8,600	-0.5%

Data as at 7:15am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.



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Financial Markets

Markets remained volatile overnight, with optimism fading that a deal between the US and Iran will be reached. President Trump said he is holding off strikes on Iran at the request of Gulf leaders, indicating a proposal could still be reached, and that he would be willing to wait until early next week. At the same time, NATO has discussed the possibility of assisting ships through the Strait of Hormuz should the waterway remain closed into early July.

- Equity markets were mixed across regions. In the US, stocks declined as bond yields rose to multi year highs, with the S&P 500 and Dow Jones both down -0.7%, and the NASDAQ falling -0.8%.
- European equities were broadly flat, with the Euro Stoxx 50 unchanged and the FTSE 100 up 0.1%. Asian markets were generally subdued, with Korea's KOSPI down -3.3% and the Nikkei 225 falling -0.4%, while the Hang Seng rose 0.5%. Locally, the ASX 200 opened higher and traded in a narrow range, closing 1.2% higher.
- US bond markets sold off further, with rising oil prices fuelling inflation concerns and expectations of tighter monetary policy. The 2 year yield rose 7bps and the 10 year increased 8bps, while the 30 year touched 5.20% - the highest level since 2007. Futures pricing for the terminal Fed funds rate now implies around an 81% probability of a rate hike by year end.
- Australian government bond yields declined across the curve as oil prices eased, with the 3 year yield down 6bps and the 10 year falling 5bps. Swap markets continue to price at least one additional rate hike this year, with the implied terminal cash rate for year-end at 4.71%.
- FX markets saw modest USD strength, with the DXY up 0.1% on the day. The Australian dollar fell 0.9% against the USD to 0.7109, while also weakening against the euro (-0.4%), sterling (-0.6%), and yen (-0.7%).
- Commodity markets saw oil prices ease slightly as President Trump delayed further action on Iran. Brent fell -0.9% to US\$111/bbl and WTI declined -0.8% to US\$108/bbl, while Dated Brent remained elevated at US\$115/bbl. Gold fell -1.8% as bond yields rose, copper declined -1.3%, while aluminium gained 1.0%. Iron ore edged 0.4% lower on a weakening demand outlook in China.

International Data

US pending home sales came in stronger than expected, rising 1.4%*mth* in April. The annual growth rate of 3.3%*yr* was the highest since late 2024, pointing to strengthening momentum in US housing market activity.

Today's key data and events

Time	Event	Exp	Prev
16:00	GB CPI Apr	0.9%	0.7%

Times are AEST. All data forecasts are *m/m* or *q/q* and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

After a notable loss of momentum over the course of last year, **UK labour market data** initially suggested some stabilisation at the start of this year. However, the latest figures point to renewed weakening. The most striking development was a 100k decline in payrolled employees, calculated based on administrative data, marking the largest correction since the early days of the pandemic. Headline LFS employment growth, measured as the change in three-month averages, rose to 148k. However, that measure masked a sharp fall in the monthly level of employment. The headline three-month unemployment rate edged back up to 5.0%, after easing 0.3ppt to 4.9% in the prior month. Single-month unemployment, which is typically volatile, rose by almost a full percentage point to 5.5%, suggesting upside risk to the headline rate ahead. Labour demand also continued to soften, with vacancies falling to the lowest level in this cycle. Nevertheless, headline three-month wage growth surprised on the upside, rising to 4.1%*yr* after dipping to 3.9%*yr* in February. That pick-up was driven by the volatile bonuses component – excluding bonuses, wage growth eased to 3.4%*yr*. Looking only at the private sector, underlying wage growth was 3.0%*yr*, pointing to a significant disinflationary impulse from the labour market.

Japan's first estimate of Q1 GDP surprised on the upside, showing growth of 0.5%*qtr* (2.1%*qtr* annualised), up from 0.3%*qtr* in Q4 and the strongest quarterly outcome in six quarters. Roughly half of the growth came from strong exports, while firmer household consumption, supported by real wage growth, also made a notable contribution. The firmer growth strengthens the case for the BoJ policy tightening at its next meeting in June.

Local Data

In Australia, the **Westpac-MI Consumer Sentiment** index rose 3.5%*mth* in May to 83 as the fuel shock eased, although consumers remain deeply pessimistic (see [here](#)).

In New Zealand, **retail card spending** fell 1.3%*mth* in April despite a sharp rise in fuel prices (see [here](#)).



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